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ECONOMIC SECURITY OF UKRAINE IN CONDITIONS OF GLOBALIZATION: CURRENT SITUATION AND EXTERNAL THREATS

***Summary.** The article reflects the institutional features of the economic security of the state in conditions of instability and the emergence of internal and external threats associated with the cyclical nature of the economy in conditions of globalization. The main factors of economic safety and institutional contradictions are considered. The risks of entry of TNCs in the national financial system under conditions of weak control and regulation of their activities by the state are investigated. The author also presents the problems of economic security of Ukraine and its main course of sustainable development.*

***Key words:** economic security, globalization, multinational corporations, investment attractiveness.*

Statement of the problem. The key objective of public policy should be to ensure economic security that leads to the ability of the economic system to implement independent financial policy in accordance with its national interests. The exacerbation of the problem of economic security in recent years is characterized by new aspects of its theoretical content in connection with the institutional transformation of the Ukrainian economy, which is a necessary condition for modernization. Current trends that define the institutional support of economy modernization, is an important aspect of economic security of the country. Scientific studies should trace modern problems of economic security and prevent new challenges and threats to sustainable development of the country. Current researches are connected with new conceptual approaches to formation of methods and mechanisms that can protect the economic interests of the state, enterprises and organizations, public and business structures, which are expressed in the strategy for socio-economic development of Ukraine.

The multifaceted and interconnected character of the changes that we have in the current socio-economic system necessitates the formation and implementation of the institutional approach in solving of the complex of economic problems of security. In modern conditions the process of reforming of economy is manifested in the need to ensure the vital interests of the society, a balanced economy, a dynamic socio-economic development. The urgency of the problem of economic security and, consequently, its institutional support of complex of measures depends on the level of development of the national economy.

Recent research and publications. The issues of economic security, its subsystems, have been studying by such domestic researchers as A. Vlasyuk [1] A. Baranovsky[2], Z. Varnalyi, Y. Zhalilo, G. Muntiyan, Pasternak-

Taranushenko and others. Despite a sufficient level of validity of proposals to stabilise the financial system, economic security of the state, the question of the overcoming of the modern crisis phenomena are still far from a decision that actualizes the need for further research in this area.

The purpose of the paper is to identify the main problems of Ukraine's economic security, analyze its current status in order to ensure sustainable development in the conditions of globalization.

The main material of the article. Economic security is a complex socio-economic category, which is affected by the changing situation in the country and abroad. Economic security is fundamental to national security, which is the primary responsibility of the state. Economic security determines the relationship and cooperation with the economic agents. National security reflects the ability of the relevant legal, economic and political institutions of the country to protect the interests of key individuals in the national economic traditions. Therefore, it is the state of the national economy, which meets the country's needs in material goods regardless of the crisis phenomena caused by the global economic system and domestic factors. Economic security should be seen as a basic condition for the preservation of a stable socio-economic development and integrity of the country. Therefore its provision should be explored in the general context of formation of government of national security.

The main factors of economic security of the country are socio-political, economic and environmental. USA, Japan, China, European Union countries and Russia occupy a leading position in the world industrial capacity, agricultural production, natural resources, and they have an unrivalled geographical position, which contributes to their economic security. However, they differ significantly from the parameters and nature of state regulation in Ukraine and its development.

In the context of globalization different conditions are created: for attraction of additional investments into the economy by external sources of funding, the flow of Bank capital, the internationalization of the financial system, which makes national economies are too vulnerable to changes in the external environment. In order to formulate conclusions about the current state of economic security of Ukraine it is appropriate to examine its components.

One of the main conditions of economic security is the effective management of public finances. Exploring the dynamics of GDP, it should be noted that the ratio of government deficit to GDP during 2013-2014. was much higher than the threshold value (no more than 3%), but in recent years its decrease has been observed.

The data in the table indicate the alarming state. The situation is aggravated by the fact that in recent years, the budget deficit through external borrowing stands at 47-57%, significantly exceeding the threshold (maximum 30%), which increases the risk of public finances.

Table 1.

Indicators of fiscal security of Ukraine [6; 9]

Indicator	Years					Threshold value
	2013	2014	2015	2016	2017	
The ratio of the deficit / surplus of the state budget to GDP, %	4.4	4.9	3.7	3.0	3.9	3%
The ratio of aggregate payments for maintenance and repayment of state debt to the state budget revenues, %	32.9	47.7	38.9	33.4	40.0	33.4
The ratio of total payments for external debt servicing to the state budget revenues, %	11.7	16.1	10.8	6.4	11.1	<20-25
The ratio of aggregate payments for servicing domestic debt to the state budget revenues, %	12.2	20.0	32.5	25.7	26.1	<25
Level of redistribution of GDP through the Consolidated Budget of Ukraine, %	30.4	29.0	32.9	27.9	29.9	30%
The ratio of total public debt to GDP%	39.2	55.8	112.7	70.6	79.7	<60

At the same time, the socio-political situation worsens, a system of flexible exchange rate is introduced, and the highest devaluation of the hryvnia occurs. The consequence of such a policy was a fall in the purchasing power of the hryvni and welfare of the population, inflation, problems in the banking sector, which caused the loss of solvency of a number of banks. In respect to the crisis in the banking sector, government spent 4.4% of GDP payments to depositors of insolvent banks. Also 2.5% of GDP was spent on refinancing of banks, which in the future were found insolvent in 2008-2009 and in 2014.

The ratio of the Consumer Price Index (CPI) and the GDP deflator index indicates the state of monetary security as a component of economic security (Fig. 1.)

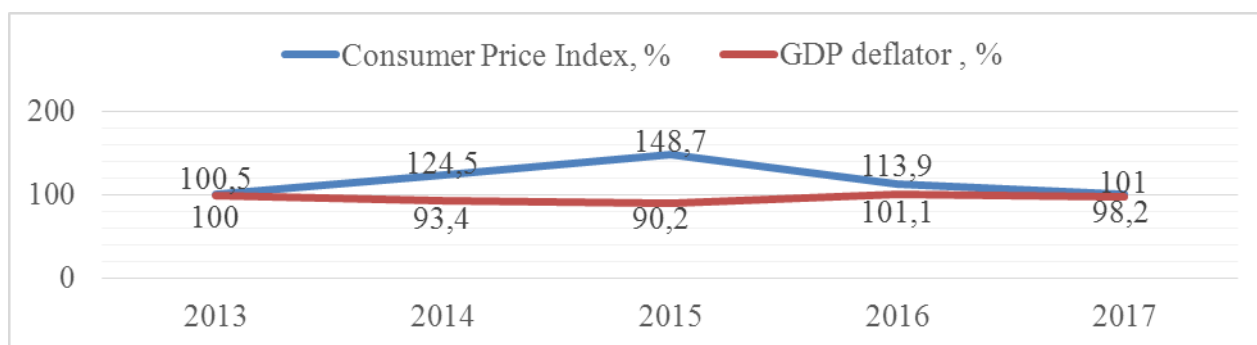


Fig. 1. Dynamics of the consumer price index and the GDP deflator in Ukraine for 2013-2017 [7 ; 8]

Shown in Fig. 1 data prove that after price stability in 2013, following 2014 was marked by the rapid development of inflationary processes, with consumer prices rising by 24.5%. 2015 continued development of inflation, which reached its peak and only in 2016 the stabilization of the situation started,

which is achieved due to the relative stability of the foreign exchange market of Ukraine, the gradual reduction process of the devaluation of the Ukrainian currency, rather tough monetary policy of the state.

However, despite the positive trend, 2016-2017, we can talk about the unsatisfactory condition of monetary-credit policy of Ukraine. This is evidenced by the index of the official rate of the hryvnia against the U.S. dollar (Fig. 2.).

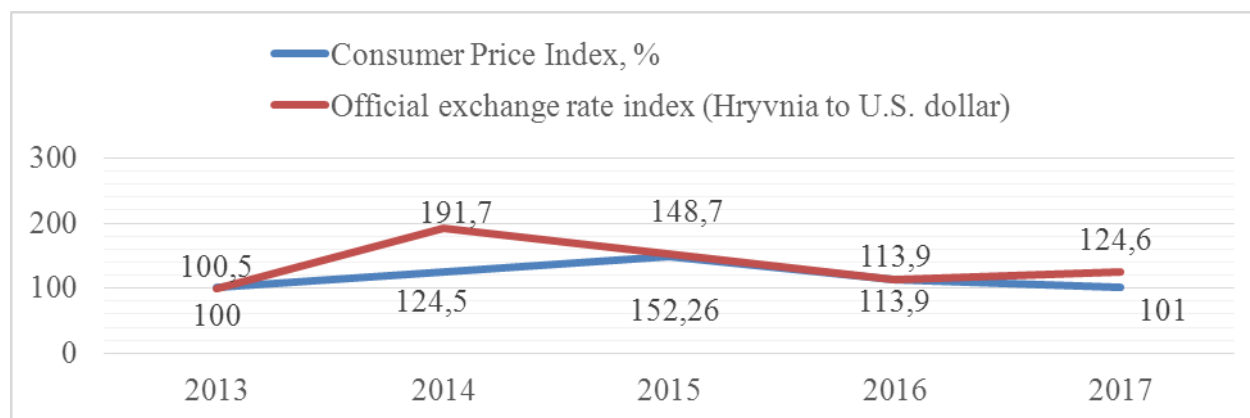


Fig. 2. Index of the official rate of the hryvnia against the U.S. dollar and the Consumer Price Index in Ukraine for 2013-2017 [3; 6]

The situation that occurred in 2014 was caused by socio-political upheavals. The devaluation of the hryvnia was started from this period. If in 2013 the hryvnia exchange rate to US dollar was UAH 8/ \$ 1, then at the beginning of 2018, it is at 27 UAH./ \$ 1. As a consequence - the distrust of monetary policy, the outflow of Bank deposits. The fall in the exchange rate of the hryvnia, increase of tariffs and prices as a result of economic reforms - all this had a negative impact on price dynamics that necessitated the introduction of new regulatory measures aimed at stabilizing the currency market and the banking system as a whole. According to the National Bank, total economic losses from the crisis are estimated at 38% of GDP.

On the background of positive developments, corruption in Ukraine only worsens the economic situation. Comparison of the level of corruption in Ukraine with the USA, Russia and Poland are presented below.

Table 2.

Corruption Perceptions Index [3]

	Place	Points				
		2013	2014	2015	2016	2017
USA	16	73	74	76	74	75
Russia	135	28	27	29	29	29
Poland	36	60	61	63	62	60
Ukraine	130	25	26	27	29	30

Therefore, Ukraine ranks 130th on the rating of perception of corruption, which testifies to its high level. Among analyzed countries, only Russia has a

worse situation on this occasion. Other countries have a much lower level of corruption. In order to successfully fight corruption, Ukraine should radically change its governance system.

Not less influence on the state of economic security has a rating of economic freedom. Assessment of economic freedom in Ukraine is 51.9, which puts its economy on the 150 place in the Index 2018 [6]. Overall assessment of economic freedom has increased in recent years by 3.8 points, due to improvement in eight of the 12 indicators of economic freedom. First of all it concerns particularly with the significant improvement in monetary freedom and investment freedom. However, Ukraine occupies the last place among 44 countries in the Europe region, and its overall score is below the regional and averages.

Oligarchic Ukrainian economy, which is dominated, began to disappear from the beginning of 2014. Significant progress has been made in the implementation of reforms, the development of capital markets, the improvement of legislation, but the economic situation remains extremely difficult. A study of investment in the macro environment of Ukraine shows high risk of investing in the domestic economy. The analysis of indicators of investment attractiveness index of Ukraine in recent years, according to the European Business Association proves their low level compared to other countries. In 2010 this indicator reached a maximum level of 3.4 points on a 5-point scale and reached the lowest level -1.8 points in 2013. In subsequent years, the situation is improving and in 2015, according to State Statistics Service in Ukraine's economy by foreign investors were invested 3763,7 million US dollars. However, the outflow amounted to 891,3 million US dollars of direct investment that is approximately 24% of influx. Today, despite the level of financial security, Ukraine remains attractive for investment, at the same time it is sufficiently integrated into the world economy, does not remain outside of global processes and depends on macroeconomic stability in foreign markets and the globalization of the world economy. A leading role in this process is played by processes of transnationalization.

According to experts, about 30 transnational corporations (TNCs) in the food, tobacco, oil and gas industries operate in Ukraine. Certain transnational corporations act as partners of Ukrainian companies, domestic TNCs are evolving that have a significant impact on Ukraine's economic development, promote economic integration.

The largest TNCs that operating in the territory of Ukraine: Bayer(Distribution), Cargill(Agro-industry), Carlsberg(Agro-industry), Coca-Cola(Food), Comfy(Retail), Danone(Food), Ferrexpo(Metallurgy), Henkel(Chemicals), Kernel(Agro-industry), l'oreal(Distribution), McDonald's(Food), Nestle(Food), PepsiCo(Food), Philip Morris(Tobacco), Procter & Gamble(Chemistry) [10].

The largest investors in Ukraine are the TNCs of the USA and Russia. American investors prefer the food industry, and the Russian- metallurgical,

chemical and energy complex. It should be emphasized that these companies possess enormous tangible assets; their activity broadens the financial capabilities of companies, creates new markets abroad and stimulates demand. The external threats include the activities of TNCs, which aim to obtain access to raw materials and transport systems of other countries (the Russian oil companies TNK and LUKOIL). The aluminum corporation RUSAL, in order to eliminate its competitor, has redeemed Zaporizhzhya Aluminum Plant. Remarkably, almost all TNCs which operate on the territory of Ukraine, have appeared before 2013, gaining the maximum economic benefits.

Ukraine acts primarily as the host country and the activities of the existing TNCs are primarily focused on the domestic market. As a result, it is possible to determine both the advantages and disadvantages of this situation.

The positive impact of TNCs on the economy of Ukraine: economic growth; increase in foreign direct investment; growth in tax revenues to the budget; the introduction of innovations, which provides the modernization of enterprises; unemployment reduce and worker's skills improvement; the strengthening of foreign trade relations; managerial experience; creation of a positive image of the state.

The negative impact of TNCs on Ukraine's economy: the establishment of control by transnational corporations; the dominance over national producers; the use of outdated technologies; hazardous production and failure to comply with environmental standards; the depletion of natural resources; manipulation of pricing; pressure on the authorities to lobby for their interests; the volatility of the investment process.

The analysis revealed that the main direction of the Ukrainian investments are Cyprus, where Ukrainian companies often get money and monopolization of the energy and metals markets only increases the political influence of owners of TNCs and provides them extraordinary profits. Under these conditions, the uncontrolled actions of TNCs on the territory of Ukraine only exacerbate economic problems and increase the risk of financial crises, given the scale of money laundering and the ways for tax evasion due to the existence of offshore zones.

For the effective development of TNCs in Ukraine and the preservation of national interests of the state, it is necessary to carry out a rather limited policy of international expansion and the opening of Ukrainian borders. Hence the need to consider the role of the state in their relations with TNCs. Relationships of the host state, which is especially right for Ukraine, with TNCs should be based on a few important points(Fig. 3):

The introduction of these measures will help to reduce external threats to financial security of Ukraine.

In our view, key risks for the system of economic security of Ukraine are: the collapse of industrial production and the decline in economic activity of domestic enterprises; decline in the level of welfare of the population and

unemployment growth; the slowdown in the economic development of Ukraine and the deterioration of the main macroeconomic indicators; the instability of the legislation and increase of shadow economic activities; the growth of the debt pressure and the onset of the financial crisis; the increase of the external financial debt and strengthen Ukraine's dependence on foreign loans; the underdevelopment of capital markets and their infrastructure, the violation of national priorities by promoting favorable foreign partners financial programs, which aggravated the crisis phenomena in the economy.

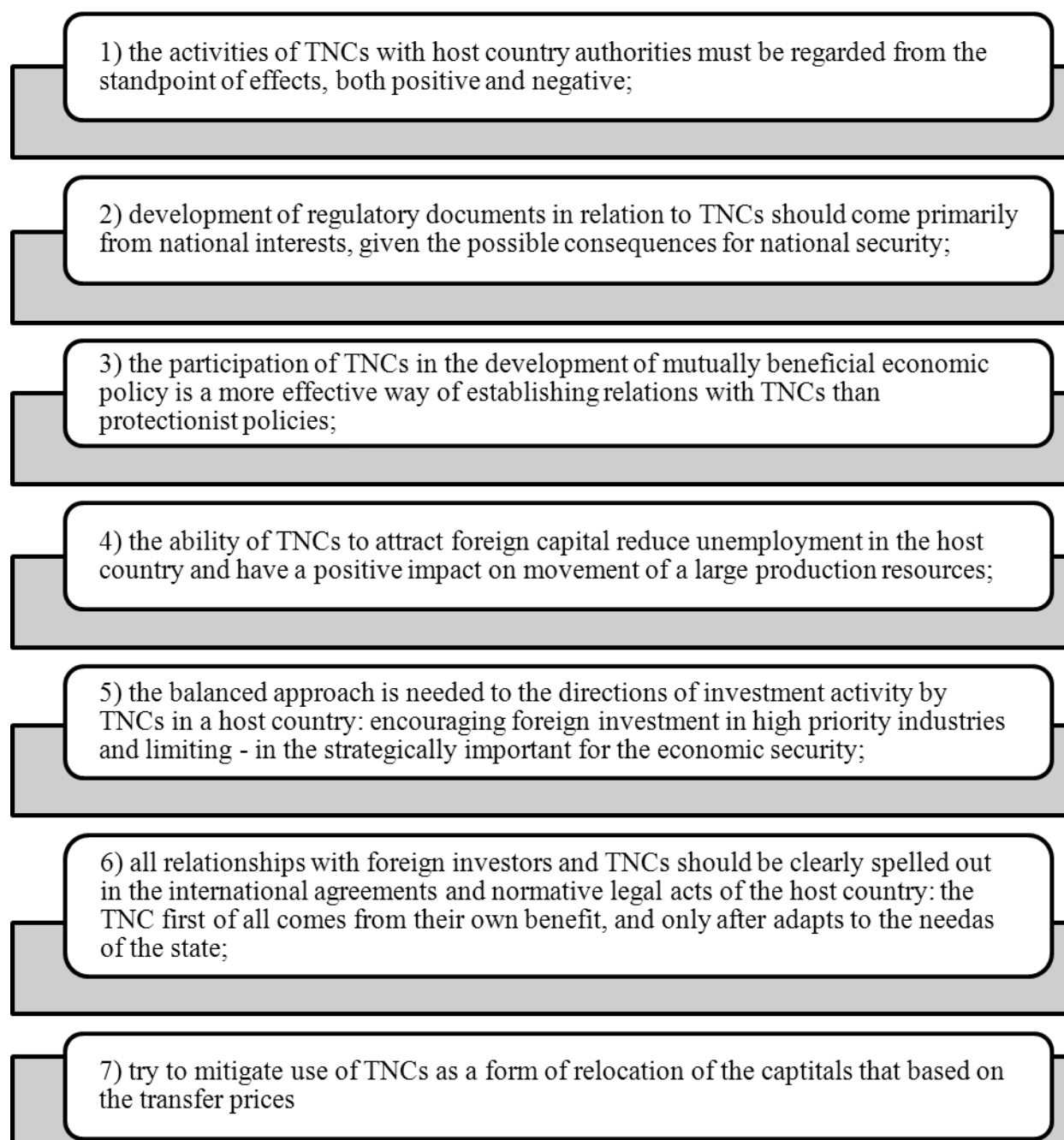
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- 1) the activities of TNCs with host country authorities must be regarded from the standpoint of effects, both positive and negative;
 - 2) development of regulatory documents in relation to TNCs should come primarily from national interests, given the possible consequences for national security;
 - 3) the participation of TNCs in the development of mutually beneficial economic policy is a more effective way of establishing relations with TNCs than protectionist policies;
 - 4) the ability of TNCs to attract foreign capital reduce unemployment in the host country and have a positive impact on movement of a large production resources;
 - 5) the balanced approach is needed to the directions of investment activity by TNCs in a host country: encouraging foreign investment in high priority industries and limiting - in the strategically important for the economic security;
 - 6) all relationships with foreign investors and TNCs should be clearly spelled out in the international agreements and normative legal acts of the host country: the TNC first of all comes from their own benefit, and only after adapts to the needs of the state;
 - 7) try to mitigate use of TNCs as a form of relocation of the capitals that based on the transfer prices

Fig. 3. Optimization of cooperation with TNCs

Conclusions The results of these studies suggest that the main measures of neutralization of the existing threats to economic security of Ukraine should be: monitoring and identification of factors that reduce the stability of the socio-economic system in the short and long term; development and implementation of economic policy and institutional transformation aimed at removing or mitigating the harmful effects of the risk-forming factors, localization and elimination of threats.

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EXPRESSION OF RATIONAL EXPECTATIONS IN PUBLIC GOVERNANCE

Summary. *The increase in citizens' expectations creates new growing challenges to the system of public governance. This management involves complex processes and interactions that shape and implement public policies, and affect quality of life. One of the factors of successful governance is the adaptation of rational expectations. Rational expectations are*